

VZCZCXR08836
PP RUEHLMC
DE RUEHLP #0871/01 1661313
ZNY CCCCC ZZH
P 151313Z JUN 09
FM AMEMBASSY LA PAZ
TO RUEHC/SECSTATE WASHDC PRIORITY 0996
INFO RUEHAC/AMEMBASSY ASUNCION 9064
RUEHBO/AMEMBASSY BOGOTA 6446
RUEHBR/AMEMBASSY BRASILIA 0420
RUEHB/AMEMBASSY BUENOS AIRES 7630
RUEHCV/AMEMBASSY CARACAS 4676
RUEHPE/AMEMBASSY LIMA 5012
RUEHMD/AMEMBASSY MADRID 4389
RUEHMN/AMEMBASSY MONTEVIDEO 6323
RUEHQ/AMEMBASSY QUITO 7294
RUEHSG/AMEMBASSY SANTIAGO 2058
RUEKJCS/SECDEF WASHINGTON DC
RUEAIIA/CIA WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
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C O N F I D E N T I A L SECTION 01 OF 03 LA PAZ 000871

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E.O. 12958: DECL: 06/08/2119
TAGS: [ECON](#) [PGOV](#) [AGR](#) [FAO](#) [FAS](#) [IFAD](#) [IICA](#) [BL](#) [EFIN](#) [PINR](#)
EAID, KTIA
SUBJECT: PL-480: TWO YEARS OF FRUSTRATION

REF: A. 08 LA PAZ 3236
[B.](#) 08 LA PAZ 2601
[C.](#) 08 LA PAZ 1175

Classified By: A/EcoPol Counselor Joe Relk for reasons 1.4 (b, d).

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Summary
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[11.](#) (C) As the Bolivian State presses forward with its desire to more fully control U.S. donations, the attempt to program and use PL-480 Title I funds provides an insightful case study. Following the monetization of agricultural commodities in 2004-05, about \$6.7 million was planned to be jointly programmed for agricultural programs. Despite agreeing to fund several projects for more than \$4 million, less than \$50,000 has been disbursed over the last two years. Despite our consistent and patient push for resolution, five characteristics of the current Bolivian state have left the funds unused: 1) Ever changing ministers and vice-ministers; 2) Turf fights between ministries; 3) An anti-U.S. attitude in key leadership positions; 4) Attempts to use funds for political reasons; and 5) Nationalistic bristling over being treated with "dignity".

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PL-480 Title I in Bolivia: A Brief History
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[12.](#) (C) In 2000, a bilateral agreement was signed between the USDA and the Bolivian Ministry of Agriculture to monetize wheat donations and use the proceeds to fortify the work of the Bolivian Plant and Animal Health Service (SENASAG). In 2001, the Vice Ministry of Public Investment and Foreign Financing (VIPFE) was designated to administer the funds for the Ministry of Agriculture and SENASAG. The initial \$3 million project was for the control of hoof and mouth disease in the departments (states) of Pando and Beni. In 2003, VIPFE began to raise concerns about the ability of SENASAG to administer the approved funds. Following lengthy negotiations between all the affected parties, in early 2005 an administrative unit (UNADE) was created to administer the PL-480 funded projects within SENASAG. UNADE was staffed by

two U.S. Animal and Plant Health Inspection Service (APHIS) employees and four SENASAG employees. Until mid-2007, UNADE functioned well, successfully disbursing over \$2 million in funding for agricultural projects. Throughout 2007, resistance to UNADE controls grew as SENASAG became increasingly politicized. Finally, following the donation of over a dozen pick-up trucks for a SENASAG fruit fly program (Ref. A), the administrative head of SENASAG, Oscar Sandy froze UNADE access to PL-480 funds. The donated trucks sat unused for the rest of 2007 for fictitious "irregularities" in the procurement process and, in early 2008, UNADE was disbanded. No money was disbursed in 2008.

¶13. (C) Also in 2008, the PL-480 Secretariat was renamed Insumos Bolivianos and in September, Sandy was appointed as its director general. While the international agreement for the Secretariat states that the USG should be consulted before a new director general is named, no such protocol was followed. When the point was brought up, Sandy sent us a terse letter saying that the USG had no such right. Additionally, per a 2005 agreement, projects for Title I funds are to be agreed upon by an advisory board composed of two members of the Bolivian Ministry of Agriculture, the U.S. Regional Agricultural Counselor (based in Lima), and a representative from the Embassy. In the absence of a majority decision, the vote of the U.S. Agricultural Attach is controlling. At a June, 2009 meeting, Sandy announced that a Bolivian Supreme Decree had changed the composition of the advisory board and the USG would now have only one, non-controlling vote out of five. For now, we have said that

LA PAZ 00000871 002 OF 003

an international agreement cannot be unilaterally changed. We are encouraging the Ministry of Agriculture to propose projects for the remaining, unprogramed \$4 million in funding; however, Insumos may well be able to block these programs and chose to propose and approve whatever it sees fit. (Note: VIPFE has also frozen about \$2 million in additional approved project funding designated for SENASAG. VIPFE claims that both that the audit performed at UNADE's closing was inadequate and that SENASAG does not have the administrative capacity to administer additional funds. End note.) Since the PL-480 became Insumos in 2008, we have received no official notice of exactly what funding remains in each of the accounts. Both Insumos and VIPFE have told us that the break down is approximately \$4 million under Insumos control and \$2 million with VIPFE, but, despite requests, nothing has been provided in writing.

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Ever Changing Authorities and an Anti-U.S. Bias
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¶14. (C) One of the largest problems for most donors trying to work with the Bolivian government is the frequent turnover in leadership positions. Over the past two years of trying to work out a way to move PL-480 projects forward, we have dealt with three ministers of agriculture, four vice ministers, and five SENASAG directors. Each has had their own agenda and level of politicization. With the more hard-line authorities, we made no progress and, in fact, could never secure meetings. Others seemed to promise progress, but advancements were ultimately vetoed by more political figures higher up, or the more pragmatic figures were removed before we could advance mutually agreed upon plans (Ref. B,C). The most hostile figure was former Minister of Agriculture Susana Rivero, who went on to be Minister of Production. While at Production, Insumos Bolivianos was created and may be her lasting attempt to control foreign aid designated for agricultural projects. (Note: Rivero is also the minister who rejected USG wheat donations in 2008 out of "sovereignty concerns". End note.)

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Turf Battles
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¶ 15. (C) As the Morales Administration issues decrees aimed at increasing Bolivian government control over foreign aid, a battle rages within the administration for which ministries will control the different aspects of the aid. The primary players are the Ministry of Production and the Ministry of Planning. However, the actual ministries seem less important than the personalities which have rotated through many of the leadership positions. Currently, for the PL-480 monies, we are having to deal with VIPFE, which is located under Planning, and with Insumos, which is located under Production. However, as the programs are designed to be administered by SENASAG, which is a part of the Ministry of Agriculture, any agreements must also be amenable to the leadership there as well. Moreover, despite the Morales Administration attempts to centralize control over foreign aid, in a June meeting, Vice Minister of Agriculture Tereza Morales complained about all of the different donor requirements made upon her office. It appears that no one inside or outside of the government really knows yet who has the lead when it comes to foreign agricultural aid.

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A Lack of Transparency and Political Use of Funds
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¶ 16. (C) For the PL-480 funds, the biggest worry is the administrative capacity and highly politicized environment of SENASAG. Unfortunately, despite a \$10 million program from the Inter-American Bank and our institutional strengthening

LA PAZ 00000871 003 OF 003

programs, SENASAG has still not found solid, institutional footing. As the director of the Inter-American Institute for Agricultural Cooperation (IICA) put it, "SENASAG is still more of a program than an institution." SENASAG leaders are often more political than technical, and projects in the countryside are often used to advance the Movement toward Socialism (MAS) agenda. As a result, we have been insistent that some sort of administrative controls be in place following the closure of UNADE. Unfortunately, our efforts to help professionalize SENASAG have not had much effect (Ref. C).

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The Quest for "Dignidad"
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¶ 17. (C) "Dignidad" has become a catch phrase for the Morales Administration. In the PL-480 context, we were told by an advisor to the Ministry of Planning that the composition for the Advisory Board had to be changed because it was "undignified" that the U.S. Agricultural Attach had an effective veto over any proposed programs. He said that in today's Bolivia, this is simply not acceptable. Working to establish an acceptable level of "dignidad" for the recipients of our aid will be a necessary part of any future donations. Vice Minister Morales urged us to be patient with the "Change Process" and that in the end, it would be better for all parties.

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Comment
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¶ 18. (C) The USDA Food for Progress Program is a small player in the donor field in Bolivia, but its experience in trying to work with the ministries of agriculture, planning, and production is not unique; frustration throughout the donor community is commonplace. One the other hand, two additional Title I programs in Bolivia that directly fund the work of two NGOs have enjoyed great success and strong community acceptance and praise in the countryside. Furthermore, USAID funds programs directly with NGO implementors and coordinates with the GOB as necessary and feasible. This model ensures results and funding control. The real difficulties arise in

dealing with the Bolivian state directly. The Morales Administration may wish to administer all foreign aid through the state apparatus, but the structure and capability of the government is many years away from realizing that goal.

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